

2406 2007 FA Compensation r1



**2007  
Financial Advisor  
Compensation Plan**

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**UBS00001**

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## Production-Related Payout

Your "production" (sometimes called "gross" production) is the product related revenue credited to you by UBS Financial Services Inc. and/or UBS International Inc. (together, "UBS" or "the Firm"). Under this Plan, as compensation in addition to any other form of compensation you may earn from the Firm, you will be entitled to receive a "payout" derived from a percentage of your production less lawful adjustments. Adjustments may include, for example, customer fees waived by you; compensation and benefits for a Client Service Associate ("CSA") or other employees; the cost of seminars you elect to attend; the costs of certain miscellaneous goods and services; overpayments; charge-backs arising out of a customer or other third party reversing or failing to close a transaction; certain registration and consulting fees; production draws; transaction-related expenses (including brokerage and clearing fees on commodity products, as described herein); and payments made under the Retirement Enhancement Program.

Because your payout is net of adjustments, and not based solely on a percentage of your production, it is not earned until all such adjustments have been made. In addition, you will earn your payout (or other production-related compensation) as long as the underlying transaction(s) comply with governing laws, rules of the self-regulating organizations and Firm policies.

Your "payout rates"<sup>1</sup> are the percentages applied to your production to determine your payout before adjustments.

*Example:*

$$\text{Monthly Production} \times \text{Applicable Payout Rates} = \text{Payout Before Adjustments} - \text{Adjustments} = \text{Adjusted Payout}$$

If you desire certain adjustments to be made as set forth in this Plan, UBS may require you to authorize them in writing. UBS will provide the authorization forms/vehicles necessary to carry out your wishes regarding these adjustments.

<sup>1</sup> Payout rates vary depending on the product.

### **Standard Grid**

"Standard grid" production generally includes production for all products except insurance and annuity products (see page 7). Your rolling six-month standard grid production determines your applicable payout rate for your current month's standard grid production, as shown in the following chart:

Standard Grid Rolling Six-Month Production Range		Monthly Payout Rate
\$ 0	- \$68,749	28%
\$ 68,750	- \$74,999	29%
\$ 75,000	- \$82,499	30%
\$ 82,500	- \$89,999	31%
\$ 90,000	- \$98,999	32%
\$ 99,000	- \$137,499	33%
\$137,500	- \$149,999	34%
\$150,000	- \$164,999	35%
\$165,000	- \$192,499	36%
\$192,500	- \$199,999	37%
\$200,000	- \$219,999	38%
\$220,000	- \$412,499	39%
\$412,500	- \$499,999	40%
\$500,000	- \$549,999	41%
\$550,000	- \$687,499	42%
\$687,500	+	43%

*Example:*

Your last five months' standard grid production totals \$185,000 and your current month's standard grid production is \$40,000, for a six-month total of \$225,000. Your standard grid payout rate for the current month will be 39%.

**Additional Terms and Conditions:**

- Gross production over \$2,000,000 during the plan year will be paid an additional percentage point, excluding the following types of production:
  - Regional Institutional Sales (RIS) production paid at leveled payout rates
  - Production with no payout (e.g., RMA® renewals)
  - Production paid at a 100% payout rate
  - Lending production paid at leveled payout rates
- Certain business is paid at leveled payout rates, including:
  - Directed business processed via split FA numbers (e.g., QA) from the Equity desks: standard grid payout rate up to a maximum of 38%.

- Directed business processed via split numbers from the Prime Broker Desk (e.g., IJ): 29%.
- Equity and municipal (excluding negotiated new issue) production in RIS accounts: 29%.
- Production generated by Financial Advisors who are capped at a leveled rate of 24%, based on production levels and NYSE length of service (NYSELOS) (see page 10).
- Transactions resulting in production of less than \$100 are paid at your applicable grid payout rate, but are not included in your rolling standard grid production for purposes of determining payout rate, with the exception of the following:
  - Mutual funds and mutual fund dividend reinvestments
  - Trailing commissions
  - Fees
  - UBS-sponsored and co-sponsored UITs
  - Global time deposits
  - Certificates of deposit
  - Commercial paper
  - CODA-SEP, SEP, SIMPLE and 401(k) accounts
  - Syndicate offerings
  - Auction rate preferreds and auction rate certificates
- Transactions resulting in production of less than \$100 are included in your "total production," which is used for purposes of determining your insurance and annuity payout rates, Productivity and UBS Length of Service Awards, and to determine Recognition Council, UBS PartnerPlus™, and Business Builder Program eligibility.
- RMA and Business Services Account BSA® renewal fees are included in your production for the purpose of calculating standard grid payout rates; however, you will not receive any payout related to these items.
- Listed equity and over-the-counter commissions discounted below \$50 will automatically be increased to \$49.99. For example, a pre-discounted ticket of \$60 is discounted 50% to \$30. The ticket will automatically be increased to \$49.99. Option commissions discounted below \$35 will automatically be increased to \$34.99. Commodity commissions discounted below \$30 will automatically be increased to \$29.99.
- Payout rates for production generated in RIS accounts are calculated as follows:
  - Equity and municipal (excluding muni-negotiated new issue) production: 29%.
  - TFI new issue (including APS), TFI secondary, and muni-negotiated new issue: standard grid rate minus 10 percentage points. ARCs will be grid minus 10 percentage points, effective February 1, 2007.

- Standard TFI sales credit: 60%. The Core RIS FAs, and those with at least \$25,000 in standard TFI sales credits, will be eligible to participate in a year-end bonus.
- The payout on business related to ongoing corporate relationships with companies assigned by Corporate Employee Financial Services (CEFS) is as follows:
  - Exercise Revenue (includes revenue from all stock benefit plan transactions, such as ESPP, RSA etc.): 100% of production paid at a 22% leveled rate, not subject to ticket charges.
  - Plan Admin Revenue (revenue derived from CEFS charges to corporate clients for administrative services e.g., Admin Fees): Net payment equal to 10% of the admin revenue for each corporate client will be paid annually. No gross production will be received for these payments.
  - Reinvestment Revenue: Production is paid at the standard grid payout rate and is subject to ticket charges
- Brokerage and clearing fees on commodity products are adjusted before the payout rate is applied, unless:
  - The ticket is not discounted,
  - The ticket is \$250 or greater and the contract rate is \$20 or more, or
  - The ticket is \$1,000 or greater and the contract rate is \$15 or more.
- Payout rates for referral fees to and from the Global Referral Desk are calculated as follows:
  - For referrals to the Global Referral Desk, FAs receive credit for 1/3 of the revenue as production credits at a 65% payout rate for four years. Thereafter, the FA receives no further payout related to the referral.
  - For referrals from the Global Referral Desk, FAs will receive credit for 2/3 of the revenue at the standard grid payout rate for four years and credit for 100% of the revenues thereafter.
  - Additional information can be found at the Business Support Overview (InfoNet) under *Administrative/Global Referral Program*.
- A commodity futures ticket, for the purpose of this Compensation Plan, is defined as the closing of an existing position ("a round turn"). Identical contracts (i.e., for the same commodity, side and month) traded on the same exchange and closed out on the same day in the same account are aggregated as one ticket. Identical options on futures contracts (i.e., for the same side, strike price, premium and expiration month) traded on the same exchange and opened on the same day in the same account are aggregated as one ticket; similarly, identical options on futures contracts closed on the same day are aggregated as one ticket.
- Financial Advisors that have qualified for directed business will receive 75% of the gross sales credits on transactions executed by the Equity Trading Desks in a split FA number (e.g., QA01). Payout rate is standard grid to a maximum of 38%.

- Production credits and the related payouts on syndicate transactions become earned only after the close of the penalty bid period and upon verification that the client retained the position until that time and that the transaction or transactions complied with applicable laws, rules and policies. Production credits on syndicate transactions will be advanced, but will not be earned until the previously mentioned conditions have been satisfied. If production credits are advanced and the pre-conditions to earning are not met and/or your employment is terminated, at the Firm's discretion, UBS will recoup the unearned syndicate payment including in the form of an adjustment to your unearned standard grid payout.

#### **Ticket Charges**

All listed equity, over-the-counter (principal and agency), and option business outside of a wrap fee account is paid at a reduced rate, by reducing the grid rate to account for \$12 for each trade.

- Transactions with the same security, side, date and account are aggregated as one ticket.
- No ticket charge will apply to the following transactions:
  - Equity RIS transactions that are paid at a leveled rate
  - Directed business processed via split FA numbers from the Equity (e.g., QA) and Prime Broker (e.g., IJ) desks that are paid at a leveled rate
  - Production generated by FAs who are capped at a leveled payout rate based on their prior-year production and NYSELOS
  - Transactions covered under the wrap fee in InsightOne<sup>SM</sup>, Strategic Advisor, and managed accounts
  - Exercise revenue on CEFS accounts that is paid at a leveled rate of 22%
  - Preferred and convertible transactions (both agency and principal)
- A reduced ticket charge will apply to New Financial Advisors (NFAs) in the Development Program, based on the NFA's number of months in production:
 

0 – 24 months	\$6
25 – 36 months	\$8
37 – 48 months	\$10
Greater than 48 months	\$12
- The ticket charge will not result in a payout below zero for any individual transaction.

#### **Investment Solutions (IS) Wrap Fees**

- Payout rates for wrap fees processed in a managed account and InsightOne<sup>SM</sup> fees and Strategic Advisor fees will be the standard grid payout rate plus 4 percentage points.
- Products include:
  - InsightOne
  - Managed Accounts Consulting (MAC – wrap fee only)
  - Portfolio Management Program (PMP)
  - Premier Portfolio Management Program (PPM)
  - UBS Selections<sup>SM</sup>
  - ACCESS<sup>SM</sup>
  - PACE<sup>SM</sup> Multi Advisor
  - IS Hard Dollar Consulting Fees
  - UBS Fiduciary Trust Company (wrap fee only)
  - Private Wealth Solutions (wrap fee only)
  - UBS Strategic Advisor

Only Financial Advisors paid under the Standard Compensation Plan are eligible for this payout.

You may elect to participate in various Investment Solutions programs. Under the terms of these programs, you will receive wrap fees related to accounts participating in such programs. Wrap fees are advances paid to you on expected fees. Wrap fees are paid quarterly but are earned incrementally on a pro rata basis based on the number of days that the account remains with the Firm. For more information concerning how you are compensated on Investment Solutions programs and products, please refer to summaries and descriptions published on InfoNet which are incorporated herein by reference.

Further, if the account terminates prior to the end of the period for which advances were paid, UBS shall recoup any advanced and unearned fees as an adjustment to your production. Similarly, if your employment is terminated for any reason prior to the end of the period for which advances were paid, the Firm is authorized to adjust the amount of the unearned advances from your unearned standard grid payout. If the amount of the unearned advances exceeds the amount of your unearned standard grid payout, you must immediately repay the Firm any outstanding unearned advances.

### **Insurance and Annuity Grid**

Insurance and annuity products have a separate payout rate grid based on both your rolling six-month total production and rolling six-month insurance and annuity production, as shown on the following grid:

Rolling Six-Month Total Production	Rolling Six-Month Insurance and Annuity Production		
	\$0 – \$24,999	\$25,000 – \$49,999	\$50,000+
\$0 – \$89,999	38%	38%	38%
\$90,000 – \$149,999	38%	43%	43%
\$150,000 +	38%	43%	48%

- As with payouts for standard grid business, payouts for insurance/annuity products are earned net of adjustments.
- For insurance/annuity production, you will receive the higher of your monthly standard grid rate or your monthly insurance/annuity grid rate.
- Only Financial Advisors paid under the Standard Compensation Plan are eligible for this payout.

*Example:*

*Your last five months' insurance and annuity production totals \$35,000 and your current month's insurance and annuity production is \$10,000, for a six-month insurance and annuity total of \$45,000. Your rolling six-month total production is \$225,000, making your payout rate on insurance and annuity production for the current month 43%.*

## Lending

### Credit Lines

Financial Advisors will receive gross production credits per year on non-purpose loans booked in a Credit Line account as follows: Net Spread -15 bps (Net Spread is defined as spread over LIBOR). Production credits will be earned only on the drawn portion of the Credit Line for the number of days that the loan is outstanding.

Credit Line production is included in your production for the purpose of calculating standard grid rates but is paid out at a flat rate of 8% for the first \$100 million of a single loan balance and 2% for the incremental loan balance exceeding \$100 million.

- Variable Rate Loans: Production credits on a variable rate loan (including Premier Variable Credit Line, Prime Credit Line and UBS Financial Services Credit Line) are earned based on the actual net spread for the quarter. Production credits are received at the end of each calendar quarter for that quarter.

#### *Example:*

*A client opens a \$1,000,000 Credit Line on March 22, 2007 priced at LIBOR + 150 bps, which remains continuously drawn at the same \$1,000,000 through June 21, 2007. The FA will receive a production credit in June 2007 of \$3,450.00 (\$1,000,000 x 1.35% [Net Spread of 150 bps – 15 bps] ÷ 360 interest days x 92 interest days in the quarter). The payout is \$276 (\$3,450 x 8%).*

- Fixed Rate Loans: Production credits on a Premier Fixed Rate Credit Line with a maturity of one year or less are based on projected net spread. The production credit will be received at the end of the month in which the loan was booked. If a loan's maturity is greater than one year, the first year's production credit will be received in the month it is booked, and subsequent production credits will be credited on each annual anniversary.

#### *Example 1:*

*A client opens a \$1,000,000 Fixed Rate Credit Line priced at LIBOR + 150 bps on January 17, 2007, with a maturity date of January 17, 2008, the FA will receive a \$13,687 production credit (\$1,000,000 x 135 basis points (1.35%)) ÷ 360 x 365 interest days. The payout is \$1,095 (\$13,687 x 8%).*

#### *Example 2:*

*If the loan above had a two-year maturity, the FA would be credited with \$13,687 in January 2007 and again in January 2008.*

Production credits for variable and fixed rate loans booked during the last four business days of the month will be received in the following month.

FAs are not compensated on purpose (margin) loans.

#### Residential Mortgages

A one-time production credit is received for primary mortgages, the drawn portion of Super Jumbo home equity lines, and home equity loans. It will be credited approximately 30 days after the closing of the loan and is paid at the standard grid payout rate.

- Primary Mortgages: FAs receive a one-time 30 basis point production credit based on the loan amount.
- Super Jumbo Home Equity Lines: FAs receive a one-time 30 basis point production credit based on the drawn amount.
- Home Equity Loans: FAs receive a one-time 15 basis point production credit based on the closed loan amount.

There are no production credits for standard home equity lines of credit and UBS employee mortgages.

FAs who finance their own mortgages through UBS Mortgage LLC will receive their choice of a \$500 rebate check or the standard production credit. FAs who meet the definition of Preferred Client will have up to \$1,500 of lender fees waived (appraisal, credit report, application fee, tax report).

#### Letters of Credit

Production credits for Letters of Credit are calculated as a percentage of the letter of credit fee, and added to the FA's overall production credit which is paid at the standard grid payout rate.

Please refer to the Lending chapter under the Products Overview (InfoNet) for further information on loan products.

#### **Incremental 1% Payout**

- Production in fee-paying RMAs and Business Services Account BSAs will be paid at the standard grid rate plus 1 percentage point. Wrap fees processed in a managed account and InsightOne and Strategic Advisor fees are calculated at grid payout rate plus 4 percentage points and are not eligible for the incremental 1% payout rate.
- The incremental 1% payout rate relative to business generated in RMAs and Business Services Account BSAs with deferred billing will be paid retroactively once the RMA/Business Services Account BSA fee is paid.
- The incremental 1% payout rate will not apply to any account for which the fee is waived.
- The incremental 1% payout rate will be paid to Financial Advisors on the Standard Compensation Plan only. Production in accounts leveled at a fixed payout rate will not receive the incremental 1%.

#### **Cap Plan Policy**

If you have been with the Firm for one full calendar year and you are not being paid under the NFA Compensation Plan, you will be subject to a 24% payout rate on your production, including IS wrap and insurance/annuity business, and no ticket charges will apply to your production. Credit Lines are paid at 8%. There is no payout on RMA and Business Services Account BSA renewal fees.

- Your NYSELOS (see table on page 25) was 5 to 10 years and your prior year's total production for all products was below \$200,000.
- Your NYSELOS (see table on page 25) was 11 or more years and your prior year's total production was below \$250,000.
- You will not be eligible for the Asset and Credit Line Growth Award.
- If, during the current year, your production exceeds the minimum levels stated above, you will be subject to the regular payout rates (including IS wrap, insurance/annuity and incremental 1%), where permitted, retroactive to January 1. Ticket charges will apply to your production. At that time, you will also become eligible for the Asset and Credit Line Growth Award.

## Asset and Credit Line Growth Award

This award measures the combined Net New Asset and Credit Line growth based on year-end results.

- Net New Asset growth is defined as the value of securities and/or cash received into new and existing accounts, offset by the value of securities and/or cash leaving these accounts.
- Credit Line growth is defined as the net change in outstanding Credit Line balances. Note: Paydowns of balances as of 12/31/03 (inception of award) will not be adjusted from the growth calculation in 2004 and thereafter.

The award is calculated on Net New Asset and Credit Lines beginning at \$5 million as follows:

Net New Asset and Credit Line Growth	Award
First \$50 million (\$5 million minimum)	15 basis points
From \$50 million to \$100 million	10 basis points
From \$100 million to \$150 million	5 basis points
From \$150 million to \$200 million	2.5 basis points

- The award is capped at 5% of the Financial Advisor's production.
- RIS, Corporate Cash Management and Prime Brokerage accounts are excluded from the award calculation. The Firm reserves the right to exclude other types of institutional accounts in the future.
- Subject to the award definitions and rules set forth herein, 80% of the award is paid in cash; 20% is deferred. The award will be deferred into PartnerPlus for eligible FAs and into the FA Deferred Compensation Plan for FAs who are not eligible for PartnerPlus. As with payouts for standard grid business, Asset and Credit Line Growth Awards are earned net of adjustments.
- Awards totaling less than \$3,000 will be paid 100% in cash.

Each FA is able to track his/her daily Net New Asset/Credit Line activity in the Business Tracking system. Award projections are updated monthly.

*Example #1**Assumptions:*

FA has 2007 Net New Asset and Credit Line growth of \$12 million.  
 FA has 2007 production of \$450,000.  
 Award is capped at  $\$450,000 \times 5\% = \$22,500$ .

*Award Calculation:*

\$12 million @ 15 bps =	<u><math>\\$18,000</math></u>
Total	$\$18,000$

Cash Award is $\$18,000 \times 80\% =$	$\$14,400$
Deferred Award is $\$18,000 \times 20\% =$	$\$3,600$

*Example #2**Assumptions:*

FA has 2007 Net New Asset and Credit Line growth of \$55 million.  
 FA has 2007 production of \$1,750,000.  
 Award is capped at  $\$1,750,000 \times 5\% = \$87,500$ .

*Award Calculation:*

\$50 million @ 15 bps =	$\$75,000$
\$5 million @ 10 bps =	<u><math>\\$5,000</math></u>
Total	$\$80,000$

Cash Award is $\$80,000 \times 80\% =$	$\$64,000$
Deferred Award is $\$80,000 \times 20\% =$	$\$16,000$

*Example #3**Assumptions:*

FA has 2007 Net New Asset and Credit Line growth of \$24 million.  
 FA has 2007 production of \$600,000.  
 Award is capped at  $\$600,000 \times 5\% = \$30,000$ .

*Award Calculation:*

\$24 million @ 15 bps =	<u><math>\\$36,000</math></u>
Total	$\$36,000$

This FA's award is capped at \$30,000.	
Cash Award is $\$30,000 \times 80\% =$	$\$24,000$
Deferred Award is $\$30,000 \times 20\% =$	$\$6,000$

#### **Teams**

Financial Advisors who do all of their production and asset gathering as a team will have the option of electing to participate as a team for purposes of the 2007 Asset and Credit Line Growth Award. For teams, the minimum threshold for the award will be multiplied by the number of FAs in the team. The team must achieve the "combined" threshold. Either the entire team qualifies as a whole, or no one qualifies.

Completed Net New Asset and Credit Line team election forms must be submitted by May 15, 2007.

#### *Example*

*A two-person team with a 70/30 split. The minimum threshold for this team is \$10,000,000 in Net New Asset & Credit Line Growth (2 team members x \$5,000,000 min.)*

*If the team has 2007 Net New Asset and Credit Line growth of \$10,500,000, they would receive an award of \$15,750. FA 1 would receive \$11,025 (70%), and FA 2 would receive \$4,725 (30%).*

*If the team has 2007 Net New Asset and Credit Line growth of \$9,000,000, they would not receive an award. Although FA 1 has Net New Asset and Credit Line growth of \$6,300,000 (which exceeds the minimum for an FA who is not part of a team), the team did not meet its goal.*

*The hurdle for the Recognition Council adjustment (\$5 million or \$12 million) will be calculated in the same way.*

#### **Award Definitions and Rules**

- All positions in DVP accounts, commodities, and option positions are not included in the asset calculation.
- Assets must be new to our Firm and held here (shown on UBS Financial Services Inc. client statements) on December 31, 2007, to generate credit for the award. New assets held away that are not reflected on aforementioned client statements will not count as new assets. Assets that come into other UBS business units (e.g., Global Asset Management, Hedge Fund Services, Investment Bank) through FA referrals will not count as net new assets. Documented asset referrals to/from booking centers in Wealth Management International will be included/excluded from net new assets.
- Market appreciation/depreciation is not included in the asset calculation.

- Dividends and interest received are not included in the asset calculation; however, cash out of an account will be offset by dividends and interest received during the year.
- If cash taken out of an account increases margin balances, there will be no impact on the award calculation.
- Activity related to assets and credit lines housed in split accounts will be allocated on the same percentage as production splits:
  - If an FA within a split arrangement leaves our Firm, the remaining FA(s) becomes fully responsible for the assets and credit lines six months after the FA departs. If assets and credit lines leave during the first six months, the remaining FA's maximum liability is determined by the split arrangement.
  - If an FA within a split arrangement retires, the remaining FA(s) is fully responsible for all subsequent activity in the account(s).
- An FA becomes FA of record the day that his/her FA number appears on the account:
  - FAs who receive an account from an FA who leaves our Firm will not be penalized for assets and credit lines that leave the account during the first six months.
  - FAs who receive an account from an active FA are fully responsible for the account and any subsequent activity.
- Documented asset referrals to/from banking centers in Wealth Management International will be included/excluded from net new assets for the first 12 months of the referral agreement. For example, if an FA refers an account, he or she will receive credit for the assets. If an FA receives a referred account, he or she will not receive net new asset credit.
- Restricted securities are considered new assets in 2007 if they become free to trade or are saleable in 2007. They will be credited automatically when they are moved into a SEG or BOX position. If not, you must notify Branch Administration to get credit for those assets.
- Financial Advisors paid under the Standard FA Compensation Plans and NFAs on the 2002 Compensation Plan are eligible for the award. Recruits become eligible once they have completed 12 months of production at our Firm and are paid on the Standard Compensation Plan. NFAs on the 2004 Compensation Plan are not eligible for this award. Prorated awards are calculated for FAs who are not eligible for the full 12-month period.

- This award is conditioned upon and rewards continued employment with our Firm. Thus, you must be employed by our Firm on the payment date to be entitled to receive the cash portion of the award, and on the vesting dates in order to earn and be entitled to the deferred portions. The deferred portion of the Asset and Credit Growth Award, along with the related Turbo and Market interest for Financial Advisors, vests in 20% increments each January 1 in years 2014 through 2018.

## Recognition Councils

There are three Recognition Councils for top-performing Financial Advisors. A targeted number of qualifiers will be set for each Recognition Council category as follows:

Year 2008 Council Level	NYSE Reg Date	2007 Recognition Council Production Ranking
Chairman's Council	—	Top 240 FAs
President's Council	—	Next 525 FAs
Pacesetter	Prior to 7/00	Next 1000 FAs
	7/00 – 6/01	Top 40 in NYSELOS category
	7/01 – 6/02	Top 40 in NYSELOS category
	7/02 – 6/03	Top 40 in NYSELOS category
	7/03 – 6/04	Top 40 in NYSELOS category
	7/04 – 6/05	Top 50 in NYSELOS category
	7/05 – 12/07	Top 50 in NYSELOS category

Each month, Financial Advisors can review their rankings, along with current projected production levels for each council, via Business Tracking.

Hard-dollar production thresholds will be determined and communicated after the third quarter.

Financial Advisors exceeding the following Net New Asset and Credit Line thresholds will receive an additional credit to their 2007 production only for purposes of achieving Recognition Council status.

- Financial Advisors with Net New Asset and Credit Line growth of \$5,000,000 to \$11,999,999 will receive a 10% production adjustment.

or

- Financial Advisors with Net New Asset and Credit Line growth of \$12,000,000 or greater will receive a 25% production adjustment.

Recruits become eligible for the additional credit once they have completed 12 months of production at UBS.

*Example:*

	Actual Production	Net New Assets and Credit Lines	Production Adjustment %	Production Adjustment Dollars	Recognition Council Production
FA #1	\$500,000	\$3,000,000	0	0	\$500,000
FA #2	\$500,000	\$6,000,000	10	\$50,000	\$550,000
FA #3	\$500,000	\$15,000,000	25	\$125,000	\$625,000

In addition to production and net new assets and credit lines, the Firm may consider, the Financial Advisor's disciplinary history as well as his/her compliance with Firm rules, standards and policies and/or the rules and regulations of applicable SROs when determining eligibility for recognition councils.

## Productivity and UBS Length of Service Awards

Deferred Productivity and UBS Length of Service Awards are granted based on your current year's production and are contributed into PartnerPlus.

The 2007 awards will be calculated as follows:

	Annual Productivity Award	Annual UBS LOS Award (UBSLOS of three years and above, see table on page 25)
Chairman's Council	2%	2%
President's Council	1%	2%
Pacesetter		
Prior to 7/00	1%	1%
7/00 – 6/01	1%	1%
7/01 – 6/02	1%	1%
7/02 – 6/03	1%	1%
7/03 – 6/04	1%	1%
7/04 – 6/05	1%	—
7/05 – 12/07	1%	—

- Financial Advisors who are not eligible based on the above schedule but who generate \$300,000 in gross production for the 2007 calendar year will be granted a 1% Productivity Award.
- Awards are projected monthly based on year-to-date production and granted annually. Awards granted based on 2007 production, along with the related UBS PartnerPlus Turbo and Market interest, will be earned and vest in 20% increments on each January 1 in years 2014 through 2018. (See pages 19 – 22 for details on the PartnerPlus Plan.)
- Productivity and UBS Length of Service (LOS) Awards are granted not only based on productivity, but also continued employment. You must be employed by the Firm on the award vesting dates in order to earn and be entitled to the award.

## UBS PartnerPlus/UBS Financial Advisor Deferred Award Plan\*

### **UBS PartnerPlus**

UBS PartnerPlus is a unique wealth accumulation plan designed to provide significant financial rewards to our Financial Advisors.

#### Eligibility

- All 2008 Recognition Council members (based on 2007 production) and all Financial Advisors who generate a minimum of \$300,000 in gross production during 2007 will have their 2007 deferred awards credited to UBS PartnerPlus and will be eligible to make a voluntary contribution in the year 2008.

#### Base Plan

- Contributions to the Plan will include the deferred Productivity and UBS Length of Service (LOS) Awards, the deferred portion of the Asset and Credit Line Growth Award and voluntary contributions.
- The Plan will credit interest on a tax-deferred basis, compounded annually at the following rates for each year's contributions:
  - Years 1 – 4 = "Turbo rate," defined as four times the "Market rate"
  - Years 5 – 10 = "Market rate"

Note: Market rate reflects UBS short-term cost of funds rate, defined as the yield of the offered rate of our 30-day commercial paper, averaged over the number of business days in the month. The maximum Turbo rate is 32%. The maximum Market rate is 8%.

#### Voluntary Contributions

- The Financial Advisor may elect to make pretax voluntary contributions of up to 50% of the deferred awards granted, as long as the combined Firm and voluntary contributions do not exceed \$100,000.

\* In the event of a conflict between the summary of the plans set forth in this brochure and the Plan Documents, the Plan Documents will control. Capitalized terms herein have the meaning ascribed to them in the Plan Document.

*Examples:*

Annual Firm Contributions	Maximum Allowable Voluntary Contributions	Total PartnerPlus Contributions
\$50,000	\$25,000	\$75,000
\$80,000	\$20,000	\$100,000
\$125,000	\$0	\$125,000

- The voluntary contributions will earn interest at the Turbo rate during Years 1 – 4 and Market rate for Years 5 – 10, compounded annually.
- Voluntary contributions will be deducted monthly from the Financial Advisor's commission checks. Once elected, a voluntary contribution cannot be stopped or changed for that calendar year.

## Vesting

- Contributions to UBS PartnerPlus beginning January 1, 1999:
  - Firm contributions, and Turbo and Market Interest earned on Firm contributions, will vest 20% per year, beginning after six years, through Year 10.
- Contributions to UBS PartnerPlus prior to January 1, 1999:
  - Firm contributions vest according to their original schedule. Turbo and Market interest earned on Firm contributions vest after 10 years.
- Voluntary contributions vest immediately. Turbo and Market interest earned on voluntary contributions prior to January 1, 1999, will vest after 10 years. Turbo and Market Interest earned on voluntary contributions beginning January 1, 1999, will vest 20% per year, beginning after six years, through Year 10.
- Firm contributions and Turbo and Market Interest Vest immediately upon death, long-term disability and Qualifying Separation.
- Qualifying Separation, for the purpose of this plan, requires you to satisfy three requirements:
  1. Age and Length of Service Requirement:
    - At least age 55 with 10 years of UBS service; or
    - At least age 65 with 5 years of UBS service
  2. Separation Agreement Requirement: You must sign a separation agreement that includes, to the fullest extent permissible by law, non-compete, non-solicitation and non-disclosure covenants, in the form provided by UBS.

3. Transfer of Book of Business Requirement: You must have made an effective transition of the book you serviced, in the reasonable judgement of UBS and your branch manager.
- Participants with a Qualifying Separation between the ages of 45 and 54, with 15 years of service and 10 years in the Plan, must meet the Separation Agreement and Transfer of Book of Business Requirements and additionally are subject to the following vesting provisions:
  - Firm contributions credited to the Plan prior to January 2004 and related Turbo and Market Interest earned on those Firm contributions and Turbo and Market Interest related to voluntary contributions credited to the Plan prior to 2004 will vest immediately.
  - All voluntary contributions and related vested Turbo and Market interest, Vested Firm contributions and related vested Turbo and Market interest are distributed upon Qualifying Separation.
  - Unvested Firm contributions and Unvested Turbo and Market interest on Firm contributions and voluntary contributions credited to the Plan beginning January 2004 will remain in the Plan and will be distributed at the earlier of the normal vesting date or second anniversary of the Qualifying Separation, earning a Market Rate of interest from the date of Qualifying Separation through the distribution date.

In-Service Distributions

- All vested Firm and voluntary contributions and related vested Turbo and Market Interest will be paid to the Financial Advisor after the 10-year anniversary of each year's contribution unless previously withdrawn.

For detailed information, please refer to the PartnerPlus Brochure under Business Support/Employee and HR/Financial Advisor Compensation/PartnerPlus Plan.

**UBS Financial Advisor Deferred Award Plan**

Base Plan

Contributions to the Plan include NFA deferred awards and the deferred portion of the Asset and Credit Line Growth Award for those Financial Advisors not eligible for the UBS PartnerPlus Plan.

The Plan will credit Interest on a tax-deferred basis, compounded annually at the following rates for each year's contributions:

- Year 1 through 4 = "Turbo rate," defined as four times the "Market rate"
- Years 5 through 10 = "Market rate"

**Note:** Market rate reflects UBS short-term cost of funds rate, defined as the yield of the offered rate of our 30-day commercial paper, average over the number of business days in the month. The maximum Turbo rate is 32%. The maximum Market rate is 8%.

Vesting

Firm contributions and the related Turbo and Market interest will vest 20% per year, beginning after six years, through year 10.

Distributions

All vested Firm contributions and related vested Turbo and Market interest will be paid to the Financial Advisor after the 10-year anniversary of each year's contribution.

**Additional Information Relating to PartnerPlus and the FA Deferred Award Plans**

Financial Condition of the Firm

- Participants in UBS PartnerPlus/UBS Financial Advisor Deferred Award Plan are "unsecured" creditors of UBS Financial Services Inc., the sponsor of these plans. This means that, in the event of its insolvency, claims of participants would be subordinate to "secured" creditors, if any, and participants' Firm and voluntary contributions and the Market and Turbo interest credited thereon would be at risk.
- To help you decide whether to elect to make voluntary contributions into UBS PartnerPlus, you may access the current statement of the Firm's financial condition at [http://financialservicesinc.ubs.com/PWIC/CMA/workflow/FILE\\_DATA/PWS/pdf/StatementofFinancialCondition.pdf](http://financialservicesinc.ubs.com/PWIC/CMA/workflow/FILE_DATA/PWS/pdf/StatementofFinancialCondition.pdf). UBS AG's annual and interim reports submitted to the Securities and Exchange Commission, which also contain information about our financial condition, may be found at [http://www.ubs.com/1/e/investors/sec\\_filings.html](http://www.ubs.com/1/e/investors/sec_filings.html).

Refer to the PartnerPlus Brochure for detailed information not provided in this summary. Copies of the PartnerPlus Brochure and Plan Documents can be found at the Business Support Overview (InfoNet) under *Employee and HR/Financial Advisor Compensation/PartnerPlus Plan*. If there is any difference between this summary and the Plan Document, the Plan Document will govern. Capitalized terms herein have the meanings ascribed to them in the Plan Document.

## Expense Allowance Programs

### Pacesetter Expense Allowance Program

Recognition Council members are eligible for a discretionary expense allowance for the purpose of promoting business. This allowance is generally considered nontaxable; however, certain expenses may be reported as taxable income.

The year 2008 Pacesetter expense allowance granted to each Recognition Council member is as follows:

	Pacesetter Expense Allowance
Chairman's Circle (Chairman's Council five consecutive years)	\$10,000
FAs > \$3 million in production	\$10,000
All other Chairman's Council FAs	\$5,000
President's Council FAs	\$3,500
Pacesetter (prior to July 2000 NYSE registration date)	\$2,000
Pacesetter (post-July 2000 NYSE registration date)	\$1,500

Business expenses eligible for reimbursement include, but are not limited to, business meals and entertainment, travel and lodging, computer leasing, subscriptions and seminars.

Refer to the Expense Reimbursement Programs Guidelines for additional information. A copy of the Guidelines can be found at the Business Support Overview (InfoNet) under *Employee and HR/Financial Advisor Compensation/ Expense Reimbursement Programs*.

### Business Builder Program

- The Business Builder Program gives eligible Financial Advisors the ability to use their pretax dollars for certain business-related expenses.
  - 2007 Production (October year-to-date annualized) of \$200,000 or Recognition Council status qualifies a Financial Advisor for the year 2008 Business Builder Program.

- The Business Builder expense allowance supplements the Pacesetter expense allowance for Recognition Council members.
- Eligible Financial Advisors may elect to receive an expense allowance of up to 2% of their projected production by adjusting pretax compensation in an equal amount.

*Example:*

<i>2007 October year-to-date production</i>	<i>\$375,000</i>
<i>Projected 2007 production (\$375,000 ÷ 10 x 12)</i>	<i>\$450,000</i>
<i>Maximum year 2008 compensation adjustment and expense allowance (\$450,000 x 2%)</i>	<i>\$9,000</i>

- The Business Builder expense allowance will be funded through 11 equal monthly pretax adjustments from the production checks, beginning in February. If your net check does not cover the amount of the monthly adjustment, future adjustments will be changed to make up the difference.
- Once an election is made to adjust compensation to fund the Business Builder expense allowance, it cannot be changed or stopped during the year. In addition, in accordance with IRS regulations, any unused expense allowance in the Business Builder account is forfeited.
- Business expenses eligible for reimbursement include, but are not limited to, business meals and entertainment, travel and lodging, computer leasing, subscriptions and seminars. Refer to the Expense Reimbursement Programs Guidelines for additional information. A copy can be found at the Business Support Overview (InfoNet) under *Employee and HR/Financial Advisor Compensation/Expense Reimbursement Programs*.

## Length of Service Policy

Your LOS, both in the industry and at UBS, affects many aspects of the Compensation Plan. Industry LOS is generally determined by your NYSE registration date. UBS LOS is determined by your date of registration with UBS. LOS for the year is calculated each January 1, based on the chart below.

NYSE or UBS Registration Date	2006 LOS	2007 LOS	2008 LOS
July 1, 2007 – June 30, 2008	–	–	0
July 1, 2006 – June 30, 2007	–	0	1
July 1, 2005 – June 30, 2006	0	1	2
July 1, 2004 – June 30, 2005	1	2	3
July 1, 2003 – June 30, 2004	2	3	4
July 1, 2002 – June 30, 2003	3	4	5
July 1, 2001 – June 30, 2002	4	5	6
July 1, 2000 – June 30, 2001	5	6	7
July 1, 1999 – June 30, 2000	6	7	8
July 1, 1998 – June 30, 1999	7	8	9
July 1, 1997 – June 30, 1998	8	9	10
July 1, 1996 – June 30, 1997	9	10	11
July 1, 1995 – June 30, 1996	10	11	12
July 1, 1994 – June 30, 1995	11	12	13
July 1, 1993 – June 30, 1994	12	13	14
July 1, 1992 – June 30, 1993	13	14	15
July 1, 1991 – June 30, 1992	14	15	16
July 1, 1990 – June 30, 1991	15	16	17

## Arbitration

With the exception of claims for injunctive relief, you and UBS agree that any disputes between you and UBS including claims concerning compensation, benefits or other terms or conditions of employment and termination of employment, or any claims for discrimination, retaliation or harassment, or any other claims whether they arise by statute or otherwise, including but not limited to, claims arising under the Fair Labor Standards Act, Title VII of the Civil Rights Act of 1964, as amended, The Age Discrimination in Employment Act of 1967, The Worker Adjustment and Retraining Notification Act, The Employee Retirement Income Security Act, The Americans With Disabilities Act, The Equal Pay Act of 1963, The Americans With Disabilities Act of 1990, The Family and Medical Leave Act of 1993, The Sarbanes-Oxley Act, or any other federal, state or local employment or discrimination laws, rules or regulations, including wage and hour laws, will be determined by arbitration as authorized and governed by the arbitration law of the state of New York. Any such arbitration will be conducted under the auspices and rules of The NASD, Inc. If for any reason, the NASD is unavailable or unable to hear the matter, then the appropriate forum is The New York Stock Exchange Inc., to the extent that forum is available. Subject to the parties' right to appeal or seek vacatur under applicable law, you and UBS agree that the decision of the Arbitrator(s) will be final and binding on the parties. You and UBS further agree that any disputes between you and UBS shall be heard, as set forth above, by the NASD or the NYSE without consolidation of such claims with any other person or entity. By agreeing to the terms of this Compensation Plan, you waive any right to commence, be a party to or an actual or putative class member of any class or collective action arising out of or relating to your employment with UBS or the termination of your employment with UBS.

## Conclusion

The 2007 Financial Advisor Compensation Plan summarizes many, but not all, of the elements of your compensation. The continuation of your employment after receipt of this plan and/or acceptance of benefits hereunder shall be deemed your consent to its terms, whether or not you execute the FA Compensation Plan Acknowledgement set forth at the end of this document. This Plan is not a promise, an agreement or a contract that your employment is guaranteed or that the policies and practices that are described will always be the same. Except for the arbitration provision on page 26 and the terms and conditions set forth therein, UBS Financial Services Inc. and/or UBS International Inc., in its sole discretion and without notice, may add to, modify, change or rescind any of the policies, practices, procedures or guidelines in whole or in part at any time. In the event of changes, you may be notified via e-mail and they will be posted on Business Support Overview (InfoNet) under Employee and HR/Financial Advisor Compensation. UBS also reserves the right to lower your monthly payout rates if you demonstrate negligence or carelessness or otherwise fail to comply with Firm rules, standards, practices and policies and/or applicable law, including the rules and regulations of applicable SROs<sup>1</sup>. In addition, you will earn no production or fees on transactions that the Firm determines should be reversed, that a customer or other third party fails to consummate or that do not comply fully with the terms of this Plan, all applicable laws, rules and policies, and the rules associated with the specific product then in effect.

Current compensation (including but not limited to monthly production payouts and annual awards) and the vesting of deferred compensation are not earned until adjustments are made and unless the transactions comply with governing laws, rules of the self-regulating organizations and UBS Financial Services Inc. and/or UBS International Inc. policies. Each FA will receive a minimum compensation amount determined by the state in which he/she works. This amount is a guaranteed draw against: (1) production payouts and (2) other compensation earned by the FA.

A guaranteed draw is a guaranteed, predetermined lump-sum amount paid to you every month as an advance against your anticipated production payout and fees. In addition to the draw, you also receive a monthly check for production payout (and where applicable, a quarterly check for fees) less the draw already paid. If your production payout and/or fees are equal to or less than the draw, you do not receive a separate check. Sums paid solely to bring your payout before adjustments to the guaranteed minimum are not carried forward into subsequent months, but rather are unrecoverable. Note however, that all authorized adjustments are carried forward and recoverable.

<sup>1</sup> UBS, of course, in its sole discretion may also impose other types of discipline including, without limitation, termination of employment, unpaid suspension for one or more working days and/or other forms of written, oral and where lawful, monetary discipline.

Because certain fees are credited quarterly, in the first month of each quarter, UBS reserves the right to advance against those fees the draw payment for the final months of the quarter in which the fees are earned. For example, fees advanced in January cover the first calendar quarter, January through March. Therefore, for example, the Firm reserves the right to advance the February and March guaranteed, non-recoverable draw, and pay it in January in addition to the guaranteed, non-recoverable draw for January.

*Example 1 (production payout exceeds the draw):*

*Your guaranteed draw is \$1,972 per month. In one month you generated payout before adjustments of \$10,000. Accordingly, you will receive a production payout of \$8,028 (\$10,000 - \$1,972), less adjustments.*

*Example 2 (production payout less than the draw):*

*Your guaranteed draw is \$1,972 per month. In Month 1, you generated payout before adjustments of \$1,500. Accordingly, for Month 1, you will not receive a production payout because the draw exceeded your production payout ( $\$1,500 < \$1,972$ ). However, in Month 2, you generated payout before adjustments of \$12,000. For Month 2, you will receive a production payout of \$10,028 (\$12,000 - \$1,972 draw) less adjustments, as the sum paid to bring your payout to the guaranteed minimum from Month 1 is not carried forward.*

*Example 3 (fees advanced):*

*Your guaranteed draw is \$1,972. In January, you are credited fees of \$9,000 and you generated production payout of \$1,000 for a \$10,000 payout before adjustments. Your production payout and 1/3 of your fees offset your January draw, leaving \$8,028 (\$10,000 - \$1,972 draw) less adjustments. UBS reserves the right to offset \$3,944 of the remaining 2/3 of credited fees against your February and March draw.*



## FA Compensation Plan Acknowledgement

I have received my copy of the 2007 Financial Advisor Compensation Plan ("Plan") and understand it is my responsibility to read it and understand its contents. I agree that I will be bound by the terms of the Plan. I understand that notwithstanding the Plan, I am and will remain an at-will employee, which means that either I or UBS can terminate my employment at any time, for any or no reason, with or without advance notice.

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Employee Name

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Employee Signature

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Date

Please return this signed acknowledgement to your Branch Management team.

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